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Gemdale Properties and Investment Corporation Limited

金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

CONTINUING CONNECTED TRANSACTIONS

The Group has been carrying on transactions pursuant to the 2017 CCT Agreements which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Group intends to continue the existing transactions contemplated under the 2017 CCT Agreements and entered into the Renewed CCT Agreements on 8 March 2018.

Apart from the Renewed CCT Agreements, on 8 March 2018, the Company entered into the Property Management Framework Agreement and the Tenancy Framework Agreement with Gemdale Property and Gemdale Corporation, respectively.

Glassy An is the controlling shareholder of the Company and hence a connected person of the Company. Gemdale Corporation is the ultimate holding company of Glassy An. Beijing Gemdale, Gemdale Property and Gemdale Building are all subsidiaries of Gemdale Corporation. Therefore, each of Gemdale Corporation, Beijing Gemdale, Gemdale Property and Gemdale Building is a connected person of the Company. Accordingly, each of the 2018 CCT Agreements constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual cap under each of the 2018 Continuing Connected Transactions is higher than 0.1% but less than 5% on an annual basis, the 2018 Continuing Connected Transactions are subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Introduction

Reference is made to the Announcements in respect of, amongst other things, the 2017 CCT Agreements. Unless the context requires otherwise, terms defined in the Announcements shall have the same meanings when used herein.

The Group has been carrying on transactions pursuant to the 2017 CCT Agreements which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Group intends to continue to carry out the existing transactions contemplated under the 2017 CCT Agreements and entered into the Renewed CCT Agreements on 8 March 2018.

Apart from the Renewed CCT Agreements, on 8 March 2018, the Company entered into the Property Management Framework Agreement and the Tenancy Framework Agreement with Gemdale Property and Gemdale Corporation, respectively.

The principal terms of the 2018 Continuing Connected Transactions are set out below.

(A) The 2018 Property Development and Technical Services Agreement

As the Group will continue to engage Gemdale Corporation to provide property development and technical services, the 2018 Property Development and Technical Services Agreement was entered into between the Company and Gemdale Corporation on 8 March 2018.

The principal terms of the 2018 Property Development and Technical Services Agreement are set out as follows:

Date: 8 March 2018

Parties: (a) the Company (as principal); and
(b) Gemdale Corporation (as trustee)

Duration: For the year ending 31 December 2018.

Property Development and Technical service: Gemdale Corporation agreed to provide property development and technical services to the Company (or its subsidiary(ies)) in relation to certain property projects of the Company (or its subsidiary(ies)), the scope of which includes the strategic positioning, project design management, construction management, cost control and sales management in respect of such property projects.

Service fee payable: The Group shall pay the service fee calculated based on 0.6% of the contracted sales of the Group's properties receiving such services catered by Gemdale Corporation, but in any event shall not exceed the proposed annual cap of RMB85 million for the year ending 31 December 2018. The service fee will be calculated on a quarterly basis, and payment shall be made on or before the 5th business day of the following quarter.

Payment of the service fee is expected to be satisfied by internal resources of the Group.

Pricing principle: The service fee with respect to the above property development and technical service payable by the Group has been determined after arm's length negotiations between Gemdale Corporation and the Company with reference to the service fees charged by other companies for similar transactions, the current projects of the Group using the relevant services, the Group's future growth in contracted sales and expansion in terms of projects to be developed over the term of the 2018 Property Development and Technical Services Agreement as well as the prevailing market conditions.

Historical amounts

The historical transaction amounts were approximately RMB32,717,000, RMB29,845,000 and RMB64,869,000 for the year ended 31 December 2015, 2016 and 2017, respectively.

The proposed annual cap and the basis of determination

The maximum service fee payable by the Group under the 2018 Property Development and Technical Services Agreement shall not exceed RMB85 million, which shall be the proposed annual cap for the year ending 31 December 2018.

The proposed annual cap was determined with reference to the historical transaction figures as listed above, the estimated construction and sale schedules of the relevant property projects in progress and the projected increase in the number of projects to be launched in 2018.

Reasons for and benefits of entering into the 2018 Property Development and Technical Services Agreement

Gemdale Corporation is renowned in the PRC property development industry. The Board believes that it is in the interest of the Company to enter into the 2018 Property Development and Technical Services Agreement to continue the engagement of Gemdale Corporation in providing the property development and technical service for the Group's property projects so as to increase sale-through ratio and keep pricing competitiveness.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the 2018 Property Development and Technical Services Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(B) The 2018 Entrusted Operation Agreement

As Beijing Gemdale, a subsidiary of Gemdale Corporation, will continue to engage the Company (or its subsidiary(ies)) to manage the daily operation of Beijing Gemdale Plaza for and on its behalf, the 2018 Entrusted Operation Agreement was entered into between Beijing Gemdale and the Company on 8 March 2018.

The principal terms of the 2018 Entrusted Operation Agreement are set out as follows:

Date:	8 March 2018
Parties:	(a) Beijing Gemdale; (b) Beijing Gemdale, Chaoyang Branch (together with Beijing Gemdale, as principal); (c) the Company; and (d) Beijing Ganglu (as trustee)
Duration:	For the year ending 31 December 2018.
Property to be managed:	Beijing Gemdale Plaza* (北京金地廣場) located in No.91, Jian Guo Road, Chao Yang District, Beijing, the PRC (中國北京市朝陽區建國路 91 號) consisting of a gross floor area of 151,351 square meters
Engagement:	The principal agreed to engage Beijing Ganglu, a wholly owned subsidiary of the Company, to manage the operations of the Beijing Gemdale Plaza, the scope of which includes the leasing, promotion and operation of the offices, the business solicitation, promotion and operation of the shopping mall as well as handling receipts and payments and financial accounting in the name of Beijing Gemdale.
Management fee receivable:	The aggregate amount of management fee receivable for the year ending 31 December 2018 shall not exceed RMB26.40 million. Payment of management fee shall be made by the principal to Beijing Ganglu on or before the 5th day of the following quarter.

Pricing principle: The management fee receivable has been determined after arm's length negotiations between Beijing Gemdale and Beijing Ganglu with reference to the existing costs for operating the Beijing Gemdale Plaza with a margin of 20%, taking into account of a reasonable profit to the Group and the expected tax liabilities of the Group on the management fee received and the prevailing market conditions.

Historical amounts

The historical transaction amounts were approximately RMB19,200,000, RMB25,404,000 and RMB26,400,000 for the year ended 31 December 2015, 2016 and 2017, respectively.

The proposed annual cap and the basis of determination

The proposed annual cap for the management fee receivable under the 2018 Entrusted Operation Agreement for the year ending 31 December 2018 is RMB26.40 million.

The proposed annual cap was determined with reference to the historical transaction figures as listed above and after considering the expected property management and lease negotiation work for Beijing Gemdale Plaza in 2018.

Reasons for and benefits of entering into the 2018 Entrusted Operation Agreement

Commercial property operation, which includes strategic positioning, property management, project design management, construction management and business solicitation of shopping malls, offices and hotels, is a business requiring high level of professional knowledge and expertise whereas carrying out property management is only part of the commercial property operation. The Board considers that entering into the 2018 Entrusted Operation Agreement would enable the Group to continue strengthening its experience in commercial property operation and developing its talent pool in this business sector.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the 2018 Entrusted Operation Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(C) The 2018 Framework Agreement

As the Company will continue to engage Gemdale Property to provide property management services on security control, cleaning, liaison, material procurement during the development stage of various property projects of the Group, the 2018 Framework Agreement was entered into between Gemdale Property and the Company on 8 March 2018.

The principal terms of the 2018 Framework Agreement are set out as follows:

- Date:** 8 March 2018
- Parties:** (a) Gemdale Property (as the property management services provider);
and
(b) the Company
- Duration:** For the year ending 31 December 2018.
- Commissioned services:** Gemdale Property is commissioned to provide property management services on security control, cleaning, liaison, material procurement relating to property management during the development stage of the property projects of the Group, the scope of which includes but not limited to image showcasing for property management services; providing parking guidance services, transportation services, customer reception services, beverage services; patrolling the sales office; providing cleaning services for showcase units, indoor areas and outdoor areas of the sales office; providing consultancy services in relation to property management; organizing sale supporting functions; providing management and operation services in relation to the lighting, audio system and air-conditioning of the showcase units and the sales office.
- Subsidiary agreement(s):** In relation to any property project of the Group which requires the services under the 2018 Framework Agreement, the relevant member of the Group will enter into a separate subsidiary agreement with Gemdale Property and/or its subsidiary and/or its designated affiliated companies under the same control setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing principle mentioned below) set out in the 2018 Framework Agreement.

All transactions contemplated under the 2018 Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

Service fees payable: The aggregate amount of service fees payable for the year ending 31 December 2018 shall not exceed RMB70 million. The payment of the service fees is expected to be satisfied by the internal resources of the Group.

Pricing principle: The amount of service fees payable by the Company under the 2018 Framework Agreement shall be based on the costs of provision of the relevant services incurred by Gemdale Property or its subsidiary (including relevant costs of manpower, equipment and tools, costume, materials, etc.) (the “**Relevant Costs**”) plus a management fee equivalent to 10% margin on the Relevant Costs plus tax.

The above pricing principle has been determined after arm’s length negotiations between the Company and Gemdale Property with reference to the actual cost of providing such services and prevailing market conditions. The 10% margin on the Relevant Costs serves as a reimbursement cover of the general and administrative expenses of Gemdale Property or its relevant subsidiary incurred in providing these services. Such percentage margin is at the lower end of the normal fee range charged by similar service providers in the PRC.

Historical amounts

The historical transaction amounts were approximately RMB24,833,000, RMB32,099,000 and RMB43,441,000 for the year ended 31 December 2015, 2016 and 2017, respectively.

The proposed annual cap and the basis of determination

The maximum service fees payable by the Group under the 2018 Framework Agreement shall not exceed RMB70 million, which shall be the proposed annual cap for the year ending 31 December 2018.

This proposed annual cap was determined with reference to the historical figures as listed above and based on the expected service costs to be incurred for the various property projects of the Group to be launched in 2018 plus the aforesaid 10% margin over such costs plus tax mark-up. The substantial increase in the proposed cap in 2018 was mainly resulted from the expected substantial increase in the Group’s projects expected to launch in 2018.

Reasons for and benefits of entering into the 2018 Framework Agreement

Gemdale Property is a top-tier property management company in the PRC. With its extensive experience and good brand name, the Board believes it would continue providing quality property management services for the Group’s property projects under the development stage.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the 2018 Framework Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(D) The 2018 Framework System Installation Agreement

As the Company continues to engage Gemdale Building to provide certain intelligent system project services for its projects, the 2018 Framework System Installation Agreement was entered into between Gemdale Building and the Company on 8 March 2018.

The principal terms of the 2018 Framework System Installation Agreement are set out as follows:

Date: 8 March 2018

Parties: (a) Gemdale Building (as the contractor); and
(b) the Company (as the employer)

Duration: For the year ending 31 December 2018.

Commissioned services: Gemdale Building is commissioned to provide certain intelligent system project services for the various property projects of the Group, the scope of which includes but not limited to the installation of parking management system, access control system, video security monitoring system, building visible intercom networking system, indoor alarm system, home cabling system, five-party intercom system, and intelligent integrated network and electric power distribution system, etc.

The project services provided by Gemdale Building shall meet the technical requirements and quality standards as set out in the 2018 Framework System Installation Agreement.

Subsidiary agreement(s): In relation to any property project of the Group which requires the services under the 2018 Framework System Installation Agreement, the relevant member of the Group will enter into a separate subsidiary agreement with Gemdale Building or its subsidiary setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing principle mentioned below) set out in the 2018 Framework System Installation Agreement.

All transactions contemplated under the 2018 Framework System Installation Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

Service fees payable: The aggregate amount of service fees payable for the year ending 31 December 2018 shall not exceed RMB40 million. The payment of the service fees is expected to be satisfied by the internal resources of the Group.

Pricing principle: The amount of services fees payable by the Company under the 2018 Framework System Installation Agreement shall be based on the actual cost of Gemdale Building for providing relevant services, including manpower, equipment and tools, procurement cost on the construction materials and equipment, and the construction costs (the “**Installation Relevant Costs**”) plus a service fee equivalent to 1.25% margin on the Installation Relevant Costs plus tax. Such percentage margin on the Installation Relevant Costs serves as a reimbursement cover of the general administrative expenses of Gemdale Building or its relevant subsidiaries incurred in providing the services and will take into account at the lower end of the normal fee range charged by similar service providers in the PRC.

Historical amounts

The historical transaction amounts were approximately RMB12,126,000, RMB16,642,000 and RMB13,078,000 for the year ended 31 December 2015, 2016 and 2017, respectively.

The proposed annual cap and the basis of determination

The maximum service fees payable by the Group under the 2018 Framework System Installation Agreement shall not exceed RMB40 million, which shall be the proposed annual cap for the year ending 31 December 2018.

This proposed annual cap was determined with reference to the historical figures as listed above and based on the respective contract sum and the estimated costs in the event of design variations, site inspections as well as other variations which are accepted by the Group in accordance with the respective agreement and after considering the substantial expected increase in the Group’s construction work of various development projects in 2018 and the consequential demand for the installation of such intelligent systems.

Reasons for and benefits of entering into the 2018 Framework System Installation Agreement

Having considered the cost quotations provided by Gemdale Building to the Group for the provision of intelligent systems which is lower than that obtained by the Group from various independent services providers for provision of similar services, as well as the experience and quality service of Gemdale Building, the Board believes that the continuous engagement of Gemdale Building to provide intelligent system project services to the property projects would help shorten the development time for the property projects, improve the design and quality of the property projects without incurring substantial costs, and strengthen the Group’s competitiveness and image in property project development.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the 2018 Framework System Installation Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(E) The 2018 Decoration Services Framework Agreement

As Gemdale Corporation continues to engage Shenzhen Xinjia to provide decoration services for certain property projects under Gemdale Corporation and its subsidiaries through tendering, invited tendering or direct engagement, the 2018 Decoration Services Framework Agreement was entered into between Gemdale Corporation and Shenzhen Xinjia on 8 March 2018.

The principal terms of the 2018 Decoration Services Framework Agreement are set out below:

- Date:** 8 March 2018
- Parties:** (a) Gemdale Corporation (as principal); and
(b) Shenzhen Xinjia (as trustee)
- Duration:** For the year ending 31 December 2018.
- Engagement:** Gemdale Corporation will engage Shenzhen Xinjia, a wholly owned subsidiary of the Company, to provide decoration services for certain property projects under Gemdale Corporation and its subsidiaries through tendering, invited tendering or direct engagement.
- Subsidiary agreement(s):** In relation to any property project of Gemdale Corporation and its subsidiaries which requires the services under the 2018 Decoration Services Framework Agreement, Shenzhen Xinjia will enter into a separate subsidiary agreement with Gemdale Corporation or its subsidiaries setting out the specific details, schedule and scale of the construction project and the construction fee receivable should be in conformity with the principles (including the pricing principle mentioned below) set out in the 2018 Decoration Services Framework Agreement.

All transactions contemplated under the 2018 Decoration Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

Construction fee receivable:

The aggregate construction fee receivable for the year ending 31 December 2018 shall not exceed RMB100 million. Gemdale Corporation and its subsidiaries will pay the construction fee to Shenzhen Xinjia progressively in accordance with the construction progress pursuant to the terms of the 2018 Decoration Services Framework Agreement.

Pricing principle:

The construction fee receivable under the 2018 Decoration Services Framework Agreement has been determined after arm's length negotiations between Shenzhen Xinjia and Gemdale Corporation with reference to (i) the number of property projects under Gemdale Corporation and its subsidiaries expected to engage Shenzhen Xinjia for rendering decoration services for the year ending 31 December 2018; (ii) the actual costs arising from the provision of services to such projects (including the relevant costs for manpower, construction materials and construction works) based on the construction progress of the various projects ("**Construction Relevant Costs**"); and (iii) plus additional fee equivalent to about 7% to 15% margin to the Construction Relevant Costs, taking into account of a reasonable profit to Shenzhen Xinjia and the expected tax payables on fees thereon, and the prevailing market conditions.

Historical amounts

The historical aggregate transaction amount for the period from 17 July 2017 to 31 December 2017 was approximately RMB7,190,000.

The proposed annual cap and the basis of determination

The proposed annual cap for the construction fee receivable under the 2018 Decoration Services Framework Agreement for the year ending 31 December 2018 is RMB100 million.

The proposed annual cap was determined with reference to the number of property projects of Gemdale Corporation and its subsidiaries engaging Shenzhen Xinjia to provide decoration services for the year ending 31 December 2018; the actual costs expected to be incurred under the provision of relevant decoration works; plus additional fee equivalent to about 7% to 15% margin to the Construction Relevant Costs, representing a reasonable profit to Shenzhen Xinjia and the expected tax payables thereon, as well as the expected substantial increase in the number of projects and the decoration works catered to Gemdale Group for the year ending 31 December 2018.

Reasons for and benefits of entering into the 2018 Decoration Services Framework Agreement

Having considered the quotation offered by Shenzhen Xinjia to Gemdale Corporation for the provision of decoration services which is no less favourable than those offered by the Group to other independent third parties for the provision of similar services, the Board believes that the provision of decoration services by Shenzhen Xinjia for the property projects of Gemdale Corporation and its subsidiaries would pose an increase in sales revenue as well as profits for the Group. Besides, as the Group is familiar with the business of Gemdale Corporation and has good internal communication with Gemdale Corporation, it is expected that the decoration works can be completed more efficiently at lower cost.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the 2018 Decoration Services Framework Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

(F) The Property Management Framework Agreement

On 8 March 2018, the Company and Gemdale Property entered into the Property Management Framework Agreement. The principal terms of the Property Management Framework Agreement are set out as follows.

Date:	8 March 2018
Parties:	(a) the Company; and (b) Gemdale Property (as the management service provider)
Duration:	For the year ending 31 December 2018.
Properties to be managed:	The properties developed and held by the Group for long-term investment purpose, such as shopping malls, office buildings and business parks (the “ Investment Properties ”).
Services to be provided:	Gemdale Property will enter into individual contracts with members of the Group for the provision of property management services for the Investment Properties. The services provided will include safety (fire protection), engineering, customer and other professional services.

All transactions contemplated under the Property Management Framework Agreement shall be conducted on normal commercial terms and negotiated on arm’s length basis.

Outsourcing services fees payable: The aggregate amount of outsourcing services fee payable to Gemdale Property for the year ending 31 December 2018 shall not exceed RMB20 million. The payment of the service fees is expected to be satisfied by the internal resources of the Group.

Pricing principle: In consideration of the property management services provided, the relevant member which enters into individual contracts with Gemdale Property shall pay the services fee, being the sum of (i) the salary of the relevant personnel based on the actual time incurred in the provision of the services (including the relevant social security payments); and (ii) the management fees. The management fee is charged over 10% of the actual cost incurred (including labor costs, equipment and tools, clothing, materials, office and welfare expenses).

The proposed annual cap and the basis of determination

The proposed annual cap for the outsourcing services fee payable under the Property Management Framework Agreement for the year ending 31 December 2018 is RMB20 million.

The proposed annual cap was determined after arm's length negotiations between the Company and Gemdale Property with reference to (i) the anticipated costs for the property management services taking into account of the historical property management costs incurred for the property; (ii) expected increase in property management costs (including but not limited to the increase in staff costs and the relevant taxation on the outsourcing services fee of additional property management services of other investment projects of the Group; and (iii) the prevailing market conditions.

Reasons for and benefits of entering into the Property Management Framework Agreement

Gemdale Property is a top-tier property management company in the PRC with excellent brand image and services. In the past, Gemdale Property have achieved a number of achievements in this industry in the PRC. With Gemdale Property's extensive experience and a unified good brand name in property management, it is expected that such arrangement would enhance the image and value of the leased properties of the Group resulting in better attract and/or retain good tenants leasing the investment properties of the Group.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the Property Management Framework Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(G) The Tenancy Framework Agreement

On 8 March 2018, the Company entered into the Tenancy Framework Agreement with Gemdale Corporation in respect of the leasing of the Leased Premises. The principal terms of the Tenancy Framework Agreement are set out as follows:

Date: 8 March 2018

Parties: (a) the Company; and
(b) Gemdale Corporation

Leased Premises: Under the Tenancy Framework Agreement, the Company (as landlord) will lease a maximum gross floor area of 8,340 square meters in Vision Shenzhen Business Park, 9 Gaoxin 9th South Road, Nanshan District, Shenzhen, PRC (中國深圳市南山區高新南九道9號深圳威新軟件科技園) to Gemdale Corporation, its subsidiaries and/or its associated companies. Specific parts of the lease floor and area will be determined in accordance with the actual situation of individual lease contracts otherwise agreed.

Term: For the year ending 31 December 2018.

Rent and property management fee: The total rent and property management fee payable by the subsidiaries/associates of the Gemdale Corporation to the Company shall not exceed RMB11,000,000.

Pricing principle: The rental and management fees rates under the Tenancy Framework Agreement, and its terms and conditions were determined between the parties after arm's length negotiations with reference to the market rental/management fees rates of premises located in nearby areas.

The proposed annual cap and the basis of determination

The proposed annual cap for the rent and property management fee receivable under the Tenancy Framework Agreement for the year ending 31 December 2018 is RMB11,000,000.

The proposed annual cap was determined with reference to the aggregate amount of the monthly rent and property management fee chargeable by the Company under the Tenancy Framework Agreement for the year ending 31 December 2018.

Reasons for and benefits of entering into the Tenancy Framework Agreement

Under the Tenancy Framework Agreement, the Company will lease to Gemdale Corporation and its subsidiaries/associated companies at prices similar to those leased to independent third parties and save intermediary costs. Also, as Gemdale Corporation and its subsidiaries/associated companies are financially strong, a timely payment of rent and other related charges are expected.

The terms of the Tenancy Framework Agreement were arrived at after arm's length negotiations on normal commercial terms. The rental amount under the Tenancy Framework Agreement was determined with reference to the prevailing rental rate and market conditions.

Each of the Directors (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) are of the view that the terms of the Tenancy Framework Agreement are fair and reasonable, and the transactions contemplated thereunder (and the proposed annual cap) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of Company and the Shareholders as a whole.

GENERAL PRICING MECHANISM FOR THE 2018 CCT AGREEMENTS

The sales and marketing team of the Company having market intelligence regarding pricing of different types of services in the market, is responsible for reviewing and determining the pricing of service or management fees prior to entering into any agreement and submitting a proposal to the management of the Company for approval and assessment on the reasonableness of the pricing.

In respect of the services provided by the Gemdale Group to the Group, as there are alternative sources of service providers with comparable pricing and scope of services, the Group will also reference to the fee quotes of similar services offered by at least two Independent Third Parties for comparison purpose prior to the entering into any agreement. The sales and marketing team will then assess the reasonableness of the pricing for the terms of services offered by the Gemdale Group to the Group to ensure that they are no less favourable to the Group than those offered by the Independent Third Parties, and submit to the Board for approval. In addition to the above procedures, all individual contracts to be entered under the framework agreements for the provision of services will be negotiated and agreed on arm's length basis.

In respect of the services provided by the Group to the Gemdale Group, the Group will obtain at least two quotations from Independent Third Parties providing similar services in the market for comparison purpose. After determining the services or management fees to be charged to the Gemdale Group, the sales and marketing team of the Group will then assess the reasonableness of the pricing of the terms of services offered by the Group to the Gemdale Group to ensure that they are no more favourable than those offered to the Independent Third Parties, and submit to the Board for approval. In addition to the aforesaid procedures, all individual contracts to be entered under the framework agreements for the provision of services will be negotiated and agreed on an arm's length basis with the Gemdale Group.

In view of the above, the Board (excluding the Executive Directors who is each a director and/or top management of Gemdale Corporation and including the independent non-executive Directors) considers that with the foregoing procedure in place, the transactions contemplated under the 2018 CCT Agreements will be conducted on normal commercial terms and in a manner not prejudicial to the interests of the Company and its minority shareholders.

INTERNAL CONTROL

Various internal control measures are in place to monitor the continuing connected transactions contemplated under the 2018 CCT Agreements to ensure that such transactions are conducted on normal commercial terms. The Audit Committee, which comprises all the independent non-executive Directors, reviews the continuing connected transactions of the Group on an annual basis pursuant to the Listing Rules to confirm if such continuing connected transactions have been entered into according to the relevant contracts on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The external auditors of the Company also conduct an annual review on the pricing and annual caps of the Group's continuing connected transactions for each financial year. It also assists the Audit Committee to consider whether the continuing connected transactions are entered into under ordinary and usual course of the Group's business, on normal commercial terms or, if applicable, on terms no less favorable to the Group than those available from Independent Third Parties. The Group conducts periodic monitoring and evaluation on whether the procedures of the continuing connected transactions are conformed with the internal control requirements of the Company.

INFORMATION ON THE GROUP AND THE CONNECTED PERSONS

The Group is principally engaged in property investment, development and management of residential, commercial and business park projects. Beijing Ganglu and Shenzhen Xinjia are wholly-owned subsidiaries of the Company. Beijing Ganglu is principally engaged in the property management business. Shenzhen Xinjia is principally engaged in internet and electronic technology development and consultation as well as decoration design and construction.

Gemdale Corporation is primarily focused on the development of residential property (its traditional business segment) and the development of, and investment in, commercial properties, either on a stand-alone basis or in conjunction with its residential property projects. Beijing Gemdale, Gemdale Property and Gemdale Building are all subsidiaries of Gemdale Corporation. Beijing Gemdale is principally engaged in property investment, development and management of commercial properties. Gemdale Property is principally engaged in property management. Gemdale Building is principally engaged in intelligent building design, construction, technical consulting and management of building equipment maintenance.

LISTING RULES IMPLICATIONS

Glassy An is the controlling shareholder of the Company and hence a connected person of the Company. Gemdale Corporation is the ultimate holding company of Glassy An. Beijing Gemdale, Gemdale Property and Gemdale Building are all subsidiaries of Gemdale Corporation. Therefore, each of Gemdale Corporation, Beijing Gemdale, Gemdale Property and Gemdale Building is a connected person of the Company. Accordingly, each of the 2018 CCT Agreements constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual cap under each of the 2018 Continuing Connected Transactions is higher than 0.1% but less than 5% on an annual basis, the 2018 Continuing Connected Transactions are subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Each of the executive Directors is also a director and/or top management of Gemdale Corporation. Pursuant to the bye-laws of the Company, each of the executive Directors is materially interested in the 2018 Continuing Connected Transactions and has abstained from voting on the relevant board resolutions approving the 2018 CCT Agreements. Save as disclosed above, none of the Directors has a material interest in the 2018 Continuing Connected Transactions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“2017 CCT Agreements”	collectively, the 2017 Property Development and Technical Services Agreement, the 2017 Entrusted Operation Agreement, the 2017 Framework Agreement, the 2017 Framework System Installation Agreement and the 2017 Decoration Services Framework Agreement
“2018 CCT Agreements”	collectively, the Renewed CCT Agreements, the Property Management Framework Agreement and the Tenancy Framework Agreement
“2018 Continuing Connected Transactions”	the transactions contemplated under the 2018 CCT Agreements

“2018 Decoration Services Framework Agreement”	the renewed framework agreement dated 8 March 2018 entered into between Gemdale Corporation and Shenzhen Xinjia, in relation to the provision of decoration services for certain property projects developed by Gemdale Corporation and its subsidiaries, particulars of which are set out in the sub-section headed “The 2018 Decoration Services Framework Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement
“2018 Entrusted Operation Agreement”	the renewed entrusted operation agreement dated 8 March 2018 entered into between Beijing Gemdale and the Company in relation to the operation of the Beijing property, particulars of which are set out in the sub-section headed “The 2018 Entrusted Operation Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement
“2018 Framework Agreement”	the renewed framework agreement dated 8 March 2018 entered into between Gemdale Property and the Company in relation to the provision of property management service for the development stage of the property projects of the Group, particulars of which are set out in the sub-section headed “The 2018 Framework Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement
“2018 Framework System Installation Agreement”	the renewed framework agreement dated 8 March 2018 entered into between Gemdale Building and the Company in relation to the provision of certain intelligent system project services for the various property projects of the Group, particulars of which are set out in the subsection headed “The 2018 Framework System Installation Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement
“2018 Property Development and Technical Services Agreement”	the renewed property development and technical services agreement dated 8 March 2018 entered into between Gemdale Corporation and the Company in relation to the provision of property development and technical services for the property projects of the Group, particulars of which are set out in the sub-section headed “The 2018 Property Development and Technical Services Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement

“Announcements”	the announcements of the Company dated 29 March 2017 in relation to, among others, the 2017 CCT Agreements and 17 July 2017 in relation to the 2017 Decoration Services Framework Agreement
“Company”	Gemdale Properties and Investment Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“Gemdale Group”	Gemdale Corporation and its subsidiaries
“Gemdale Property”	深圳金地物業管理有限公司 (Shenzhen Gemdale Property Management Ltd.*), a company with limited liability established under the laws of the PRC and a subsidiary of Gemdale Corporation
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Leased Premises”	Vision Shenzhen Business Park, 9 Gaoxin 9th South Road, Nanshan District, Shenzhen, PRC (中國深圳市南山區高新南九道9號深圳威新軟件科技園) which provides a rental area of about 127,000 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Property Management Framework Agreement”	the property management framework agreement dated 8 March 2018 entered into between the Company and Gemdale Property in relation to the provision of property management service for the Investment Properties of the Group, particulars of which are set out in the sub-section headed “The Property Management Framework Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement
“Renewed CCT Agreements”	collectively, the 2018 Property Development and Technical Services Agreement, the 2018 Entrusted Operation Agreement, the 2018 Framework Agreement, the 2018 Framework System Installation Agreement and the 2018 Decoration Services Framework Agreement

“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company in issue
“Tenancy Framework Agreement”	the tenancy agreement dated 8 March 2018 entered into between the Company and Gemdale Corporation in respect of the leasing of the Leased Premises, particulars of which are set out in the sub-section headed “Tenancy Framework Agreement” in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 8 March 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.

** For identification purpose only*